

VILLAGE OF HESPERIA
AUDITED FINANCIAL STATEMENTS

MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hesperia	County Newaygo/Oceana
Fiscal Year End March 31, 2007	Opinion Date May 8, 2007	Date Audit Report Submitted to State JUN 13 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

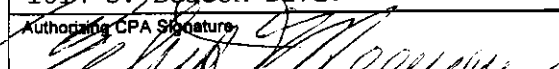
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe) Yellow Book Reports	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC		Telephone Number (616) 846-6210	
Street Address 1014 S. Beacon Blvd.		City Grand Haven	State Zip MI 49417
Authorizing CPA Signature 		Printed Name Calvin D. Meeusen.	License Number 1101006731

C O N T E N T S

	Page
LIST OF PRINCIPAL INDIVIDUALS	iii
MANAGEMENT’S DISCUSSION AND ANALYSIS	iv-viii
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	1-2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Governmental Funds	
Balance Sheet	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	6
Statement of Revenue, Expenditures and Changes in Fund Balance	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement of Net Assets	9
Statement of Revenue, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11
Notes to Financial Statements	12-25
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule-General Fund	27-29
Budgetary Comparison Schedule-Major Street Fund	30
Budgetary Comparison Schedule-Local Street Fund	31
OTHER SUPPLEMENTAL INFORMATION	
Report on Compliance and on Internal Control Over Financial Reporting based on a Audit of Financial Statements Performed in Accordance With <u>Governmental Auditing Standards</u>	33-34
Schedule of Findings and Questioned Costs	35
Corrective Action Plan	36

Village of Hesperia
List of Principal Individuals

Jim Smith	President
Doris DeLong	Treasurer
Patrecia Grossenbacher	Clerk
Tom Hallowell	Trustee
J.R. Derks	Trustee
Molly Maynard	Trustee
Mari Ann McGahan	Trustee
William Semans	Trustee
Roger Wambaugh	Trustee

Village of Hesperia
Management's Discussion and Analysis
March 31, 2007

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Village's financial statements for fiscal year ending March 31, 2007. The format of the financial statements has changed due to the implementation of GASB Statement 34 accounting. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's total net assets are \$2,178,900 as of March 31, 2007. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 7.7% of that total. The current level of unrestricted net assets for our governmental activities stands at \$167,596 or about 40% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Village. The net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Village's net assets from governmental activities totaled \$257,828 (12%) and \$1,921,072 (88%) from business-type activities, creating a total government-wide net asset total of \$2,178,900.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., bridges, buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Village of Hesperia Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets</u>						
Current and						
other assets	\$ 189,520	\$ 137,451	\$ 1,087	\$ (26,253)	\$ 190,607	\$ 111,198

Village of Hesperia
Management's Discussion and Analysis
March 31, 2007

Table 1
Village of Hesperia Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Assets-Continued</u>						
Capital assets, net of accumulated depreciation	<u>194,002</u>	<u>212,788</u>	<u>2,692,725</u>	<u>2,799,597</u>	<u>2,886,727</u>	<u>3,012,385</u>
Total	383,522	350,239	2,693,812	2,773,344	3,077,334	3,123,583
<u>Liabilities</u>						
Current	<u>32,998</u>	<u>44,875</u>	<u>81,830</u>	<u>87,612</u>	<u>114,828</u>	<u>132,487</u>
Noncurrent	<u>92,696</u>	<u>103,770</u>	<u>690,910</u>	<u>765,075</u>	<u>783,606</u>	<u>868,845</u>
Total	125,694	148,645	772,740	852,687	898,434	1,001,332
<u>Net Assets</u>						
Capital Assets, Net of Debt	<u>90,232</u>	<u>85,842</u>	<u>1,934,857</u>	<u>1,968,383</u>	<u>2,025,089</u>	<u>2,054,225</u>
Unrestricted (deficit)	<u>167,596</u>	<u>115,752</u>	<u>(13,785)</u>	<u>(47,726)</u>	<u>153,811</u>	<u>68,026</u>
Total net assets	\$ <u>257,828</u>	\$ <u>201,594</u>	\$ <u>1,921,072</u>	\$ <u>1,920,657</u>	\$ <u>2,178,900</u>	\$ <u>2,122,251</u>

Cash remains very tight in all of the funds as shown below. The cash in the Major Streets Fund is entirely committed to the Michigan Street bridge project.

	<u>2007</u>	<u>2006</u>
General Fund (overdraft)	\$ 16,875	\$(28,653)
Major Street Fund - restricted	65,301	49,740
Local Street Fund - restricted	18,466	8,238
Sewer Fund	23,205	(1,001)
Water Fund (overdraft)	<u>(16,373)</u>	<u>1,202</u>
	\$ <u>107,474</u>	\$ <u>29,526</u>

The total of the Village's cash increased by \$77,948 for the year ended March 31, 2007.

Governmental Activities

Governmental activities increased the Village's net assets by \$56,234, accounting for all of the total increase in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

Village of Hesperia
Management's Discussion and Analysis
March 31, 2007

Governmental Activities-Continued

The Village's total revenues in the General Fund decreased by approximately 4.6% or \$22,610 from the preceding year. This was mostly attributable to the decrease in state revenue sharing. Expenses decreased approximately 22% on an overall basis. This decrease was mostly attributable to a decrease in maintenance expense in the public works area and general spending restraints.

Business-Type Activities

The Village's business-type activities consist of the Sewer and Water Funds. Operating revenues for business-type activities were \$293,668. We provide sewage treatment to approximately 95% of village residents through the Newaygo County wastewater treatment plant. We provide water to approximately 90% of village residents, which comes from the Village of Hesperia water system. After some delays, the rate increases for the water and sewer system were implemented in November of 2006. Another round of increases is scheduled to go into effect in April of 2008. We hope that these actions will ensure the Villages continuing capability to provide these services. We do not expect to be doing any major projects or upgrades in the coming fiscal year.

Table 2
Village of Hesperia Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>						
Program						
Charges for Services	8,687	12,772	293,668	270,999	302,355	283,771
General						
Property taxes	236,985	228,736	-	-	236,985	228,736
State revenue sharing	189,925	205,868	-	-	189,925	205,868
Reimbursements	2,099	7,536	-	-	2,099	7,536
Miscellaneous	<u>33,318</u>	<u>38,712</u>	<u>6,352</u>	<u>12,488</u>	<u>39,670</u>	<u>51,200</u>
Total	471,014	493,624	300,020	283,487	771,034	777,111

Village of Hesperia
Management's Discussion and Analysis
March 31, 2007

Table 2-Continued
Village of Hesperia Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses						
General government	106,672	141,005	-	-	106,672	141,005
Public safety	147,600	146,354	-	-	147,600	146,354
Public works	136,554	217,128	-	-	136,554	217,128
Recreation and culture	23,954	35,413	-	-	23,954	35,413
Sewer fund	-	-	187,508	183,624	187,508	183,624
Water fund	-	-	112,097	115,700	112,097	115,700
Total	414,780	539,900	299,605	299,324	714,385	839,224
Increase (Decrease) in Net Assets	56,234	(46,276)	415	(15,837)	56,649	(62,113)
Net Assets at March 1	201,594	247,870	1,920,657	1,936,494	2,122,251	2,184,364
Net Assets at March 31	\$257,828	\$ 201,594	\$1,921,072	\$1,920,657	\$2,178,900	\$2,122,251

The Village's Funds

An analysis of the Village's major funds begins on page 5, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Village's major funds for 2007 include the General Fund, Major Streets, Local Streets, and Sewer and Water Funds.

We are now maintaining a positive cash balance in our street funds. We expect to spend some additional Major Street Fund monies in the 2007-2008 fiscal year to pay our share of the replacement of the Michigan Street bridge, scheduled to be done in the Fall of 2007. These expenditures, including engineering fees, will be approximately \$100,000 and some of the money will be coming out of the General Fund.

The General Fund pays the Village's general operating expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Village Council did not make any budget amendments to take into account events during the year. We are now implementing our new budget format for the fiscal year 2007-2008.

Village expenditures overall were under budget, resulting in total expenditures of \$67,870 under budget. The General Fund's fund balance increased from \$42,080 a year ago to \$67,870 at March 31, 2007. Revenues were slightly lower than projections.

Village of Hesperia
Management's Discussion and Analysis
March 31, 2007

Capital Asset and Debt Administration

At March 31, 2007 the Village had \$5,492,017 (net of accumulated depreciation of \$2,605,290) invested in a broad range of capital assets including land, land improvements, buildings, machinery and equipment and water and sewer systems. Our Water Tower note payable is in the form of an installment note with Shelby State Bank and is being paid off over a five year period. We continue to make payments on two revenue bonds - one each in water and sewer, an intercounty drain note and one small installment note for our police cruiser. All of the payments were paid on time and in full.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for the next fiscal year projects property taxes to increase approximately \$11,000 from the current year. State revenue sharing allocations are a budgetary concern at this time. As you may know, the Michigan Legislature has eliminated the Single Business Tax. It is uncertain what will be taking its place. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state grants may decrease. The amount of revenue sharing is uncertain but is expected to be similar to last years amount. Salaries are normally the largest total expenditure of all funds and represented approximately 30% of last year's expenditures. We expect wage expense to increase slightly.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 854-6205.

CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT

1014 S. Beacon Blvd. — Grand Haven, Michigan 49417
(616) 846-6210 FAX (616) 846-5111

2450 Van Ommen Drive, Suite B — Holland, MI 49424
(616) 399-8477

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Village Council
Village of Hesperia, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Hesperia, Michigan (the Village) as of and for the year ended March 31, 2007, which, collectively, comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village, as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hesperia basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued my report dated May 8, 2007, on my consideration of the Village of Hesperia, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Calvin D. Meeusen C.P.A. PLLC". The signature is fluid and cursive, with the first name "Calvin" being the most prominent part.

Calvin D. Meeusen C.P.A., PLLC
Grand Haven, Michigan
May 8, 2007

Village of Hesperia

STATEMENT OF NET ASSETS

March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 100,642	6,832	107,474
Receivables			
Taxes	12,493	-	12,493
Accounts	-	38,659	38,659
Due from state	30,053	-	30,053
Due from other governments	1,928	-	1,928
Internal balances (net)	44,404	(44,404)	-
Capital assets, net	<u>194,002</u>	<u>2,692,725</u>	<u>2,886,727</u>
Total assets	<u>383,522</u>	<u>2,693,812</u>	<u>3,077,334</u>
LIABILITIES			
Accounts payable	17,009	3,854	20,863
Due to other governmental units	-	7,580	7,580
Accrued interest	-	3,438	3,438
Accrued liabilities	4,915	-	4,915
Non-current liabilities			
Bonds due within one year	11,074	66,958	78,032
Bonds due in more than one year	<u>92,696</u>	<u>690,910</u>	<u>783,606</u>
Total liabilities	<u>125,694</u>	<u>772,740</u>	<u>898,434</u>
NET ASSETS			
Invested in capital assets			
net of related debt	90,232	1,934,857	2,025,089
Unreserved (deficit)	<u>167,596</u>	<u>(13,785)</u>	<u>153,811</u>
Total Net Assets	<u>257,828</u>	<u>1,921,072</u>	<u>2,178,900</u>

The Notes to Financial Statements are an integral part of this statement.

Village of Hesperia

STATEMENT OF ACTIVITIES

Year ended March 31, 2007

	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Primary Government					
Governmental activities					
General government	106,672	1,848	(104,824)	-	(104,824)
Public safety	149,132	3,369	(145,763)	-	(145,763)
Public works	134,125	3,470	(130,655)	-	(130,655)
Recreation and culture	<u>23,954</u>	<u>-</u>	<u>(23,954)</u>	<u>-</u>	<u>(23,954)</u>
Total governmental activities	413,883	8,687	(405,196)	-	(405,196)
Business-type activities					
Sewer	186,608	181,114	-	(5,494)	(5,494)
Water	<u>114,304</u>	<u>112,554</u>	<u>-</u>	<u>(1,750)</u>	<u>(1,750)</u>
Total business-type activities	<u>300,912</u>	<u>293,668</u>	<u>-</u>	<u>(7,244)</u>	<u>(7,244)</u>
Total primary government	<u>714,795</u>	<u>302,355</u>	<u>(405,196)</u>	<u>(7,244)</u>	<u>(412,440)</u>
General revenues					
Property taxes			236,985	-	236,985
State revenue sharing			189,925	-	189,925
Investment earnings			3,684	46	3,730
Reimbursements			2,099	-	2,099
Miscellaneous			<u>29,634</u>	<u>6,306</u>	<u>35,940</u>
Total general revenue and special items			<u>462,327</u>	<u>6,352</u>	<u>468,679</u>
Change in net assets			57,131	(892)	56,239
Net assets at April 1, 2006			<u>201,594</u>	<u>1,920,657</u>	<u>2,122,251</u>
Net assets at March 31, 2007			<u>258,725</u>	<u>1,919,765</u>	<u>2,178,490</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia
BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2007

	<u>General Fund</u>	<u>Major Streets</u>
ASSETS	\$ 16,875	\$ 65,301
Cash	12,493	-
Taxes Receivable	13,566	11,810
Due from state	1,928	
Due from other governments	<u>44,404</u>	<u>-</u>
Due from other funds		
	<u>\$ 89,266</u>	<u>\$ 77,111</u>
Total Assets		
 LIABILITIES AND FUND EQUITY		
Liabilities:	\$ 16,898	\$ 56
Accounts payable	4,498	269
Accrued liabilities	<u>-</u>	<u>-</u>
Due to other funds		
	<u>21,396</u>	<u>325</u>
Total Liabilities		
Fund equity:		
Fund balance	<u>67,870</u>	<u>76,786</u>
Undesignated		
	<u>67,870</u>	<u>76,786</u>
Total Fund Equity		
	<u>\$ 89,266</u>	<u>\$ 77,111</u>
Total Liabilities and Fund Equity		

The accompanying notes are an integral part of this statement.

Local <u>Streets</u>	Total Governmental <u>Funds</u>
\$ 18,466	\$ 100,642
-	12,493
4,677	30,053
-	1,928
<u>-</u>	<u>44,404</u>
<u>\$ 23,143</u>	<u>\$ 189,520</u>

\$ 55	\$ 17,009
148	4,915
<u>-</u>	<u>-</u>
<u>203</u>	<u>21,924</u>

<u>22,940</u>	<u>167,596</u>
<u>22,940</u>	<u>167,596</u>
<u>\$ 23,143</u>	<u>\$ 189,520</u>

Village of Hesperia

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balance-governmental funds	\$ 167,596
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds.

Cost of capital assets	\$ 517,602	
Accumulated depreciation	<u>(323,600)</u>	194,002

Long term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore, are not reported in the funds.	(103,770)
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Net assets of governmental activities in the Statement of Net Assets	<u>\$ 257,828</u>
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The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2007

	General <u>Fund</u>	Major <u>Streets</u>	Local <u>Streets</u>
Revenues:			
Taxes	\$236,985	\$ -	\$ -
State revenue sharing	102,363	61,417	26,145
Reimbursements	5,366	-	-
Interest and rentals	17,462	-	-
Other revenue	<u>17,283</u>	<u>1,997</u>	<u>1,996</u>
TOTAL REVENUES	379,459	63,414	28,141
Expenditures			
Current:			
General government	101,723	-	-
Public safety	136,183	-	-
Public works	75,123	47,391	18,110
Recreation and cultural	23,954	-	-
Other	<u>16,686</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>353,669</u>	<u>47,391</u>	<u>18,110</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,790	16,023	10,031
Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	25,790	16,023	10,031
Fund balance - April 1, 2006	<u>42,080</u>	<u>60,763</u>	<u>12,909</u>
Fund balance - March 31, 2007	<u>\$ 67,870</u>	<u>\$ 76,786</u>	<u>\$ 22,940</u>

The accompanying notes are an integral part of this statement.

Total
Governmental
Funds

\$ 236,985
189,925
5,366
17,462
21,276

471,014

101,723
136,183
140,624
23,954
16,686

419,170

51,844

-

-

51,844

115,752

\$ 167,596

Village of Hesperia

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

Net change in fund balances-total governmental funds: \$ 51,844

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (26,983)	
Capital outlay	<u>-</u>	(26,983)

Repayment of principal on long term debt is an expenditure
in the governmental funds but the payment reduces long term
liabilities in the Statement of Net Assets 23,176

Payments for bridge pre-construction costs is an expenditure in
the governmental funds but is an asset that will eventually be
capitalized in the Statement of Net Assets. 8,197

Change in net assets of governmental activities \$ 56,234

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

March 31, 2007

ASSETS	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current Assets			
Cash (overdraft)	\$ 23,205	\$ (16,373)	\$ 6,832
Accounts receivable	29,005	9,654	38,659
Due from other funds	<u>36,000</u>	<u>-</u>	<u>36,000</u>
Total current assets	88,210	(6,719)	81,491
Non Current Assets			
Property, plant and equipment	4,334,854	639,561	4,974,415
Less accumulated depreciation	<u>(2,010,085)</u>	<u>(271,605)</u>	<u>(2,281,690)</u>
Capital assets, net	<u>2,324,769</u>	<u>367,956</u>	<u>2,692,725</u>
Total Assets	2,412,979	361,237	2,774,216
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and other liabilities	2,485	1,369	3,854
Due to other governmental units	-	7,580	7,580
Due to other funds	10,399	70,005	80,404
Accrued interest	3,438	-	3,438
Revenue bonds payable, due within one year	<u>45,000</u>	<u>21,958</u>	<u>66,958</u>
Total current liabilities	61,322	100,912	162,234
Non Current Liabilities			
Revenue bonds payable, less amounts due in one year	<u>604,780</u>	<u>86,130</u>	<u>690,910</u>
Total non current liabilities	604,780	86,130	690,910
Net Assets			
Invested in capital assets, net of related debt	1,674,989	259,868	1,934,857
Unreserved	<u>71,888</u>	<u>(85,673)</u>	<u>(13,785)</u>
Total net assets	<u>\$1,746,877</u>	<u>\$ 174,195</u>	<u>\$1,921,072</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2007

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenues			
Sales	\$ 179,692	\$111,554	\$ 291,246
Connection fees	<u>1,422</u>	<u>1,000</u>	<u>2,422</u>
	181,114	112,554	293,668
Operating Expenses			
Salaries and Wages	24,148	26,286	50,434
Fringe Benefits	6,530	6,398	12,928
Payroll Taxes	1,847	2,011	3,858
Supplies	1,843	2,165	4,008
Services and Charges	270	164	434
Professional Services	4,909	7,200	12,109
Insurance	10,747	8,958	19,705
Utilities	18,464	8,018	26,482
Repairs and Maintenance	3,667	32,664	36,331
Education and Training	107	466	573
Depreciation	<u>93,883</u>	<u>12,989</u>	<u>106,872</u>
Total Operating Expenses	<u>166,415</u>	<u>107,319</u>	<u>273,734</u>
Operating Income	14,699	5,235	19,934
Non operating Income (Expenses)			
Other Income	4,031	2,321	6,352
Interest Expense	<u>(21,093)</u>	<u>(4,778)</u>	<u>(25,871)</u>
Total Non operating Income (Expenses)	<u>(17,062)</u>	<u>(2,457)</u>	<u>19,519</u>
Net Income (Loss)	(2,363)	2,778	415
Retained Earnings - April 1, 2006	<u>1,749,240</u>	<u>171,417</u>	<u>1,920,657</u>
Retained Earnings - March 31, 2007	<u>\$1,746,877</u>	<u>\$174,195</u>	<u>\$1,921,072</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

STATEMENT OF CASH FLOWS

Proprietary Funds

Year ended March 31, 2007

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers	\$ 178,953	\$ 113,996	\$ 292,949
Payments to suppliers	(48,232)	(71,059)	(119,291)
Payments to employees	<u>(24,149)</u>	<u>(26,280)</u>	<u>(50,429)</u>
Net cash provided by operating activities	106,572	16,657	123,229
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	-	-	-
Cash Flows From Capital and Related Financing Activities			
Principal and interest paid on capital debt	(66,405)	(33,124)	(99,529)
Other receipts	4,039	2,322	6,361
Other payments	-	(3,430)	(3,430)
Payments to other funds	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>
Net cash used by capital and related financing activities	<u>(82,366)</u>	<u>(34,232)</u>	<u>(116,598)</u>
Net increase (decrease) in cash	24,206	(17,575)	6,631
Cash at April 1, 2006	<u>(1,001)</u>	<u>1,202</u>	<u>201</u>
Cash at March 31, 2007	<u>23,205</u>	<u>(16,373)</u>	<u>6,832</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating Income	14,699	5,235	19,934
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation expense	93,883	12,989	106,872
Change in Assets and Liabilities:			
Receivables-net	(2,151)	1,442	(709)
Accounts payable	<u>141</u>	<u>(3,009)</u>	<u>(2,868)</u>
Net Cash Provided by Operating Activities	\$ <u>106,572</u>	\$ <u>16,657</u>	\$ <u>123,229</u>

The accompanying notes are an integral part of this statement.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Hesperia (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's policies are described below.

1. Reporting Entity

The Village of Hesperia is a home rule village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks, recreation and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Village does not allocate indirect costs.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Streets Special Revenue Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on streets classified as local streets.

The Village reports the following major proprietary funds:

Enterprise Funds

The Sewer Fund accounts for the activities of the sewage collection system. The main source of revenue for the Sewer Fund comes from user charges.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Enterprise Funds-Continued

The Water Fund accounts for the activities of the water distribution system. The main source of revenue for the Water Fund also comes from user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's sewer and water functions and various other functions of the Village, when applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE A- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, money market demand deposits and certificates of deposit. The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. The Village has adopted an investment policy that is more restrictive than the above. See Note C2.

The Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied on December 31 and are payable through September 15. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Uncollectable real property taxes as of the following March 1 are turned over by the Village to the County's for collection. The County's advances the Village all these delinquent property taxes. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (60 days). The 2006 state taxable value for real and personal property of the Village totalled approximately \$16,647,880.

Collections of these taxes are accounted for in the General Fund and the Village Streets Fund. Village property tax revenues are recognized in the period for which they are levied. The Village is permitted by law to levy taxes up to 14.5291 mills per \$1,000 of assessed valuation for general governmental services. The tax rate to finance general government services for the year ended March 31, 2007 was 14.4303 mills.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

c. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Infrastructure	20-40
Land improvements	10-20
Equipment	5-10

d. Compensated Absences

Village employees are granted vacation and sick leave in varying amounts based on length of service. Generally, employees must use earned vacation time in the current year and any unused benefits are forfeited. Sick leave is accumulated at the rate of one-half day per month, up to a maximum of 45 days, subject to certain conditions. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED
March 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Assets, Liabilities, and Net Assets or Equity-Continued

e. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Village President submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- e. Appropriations for the General Fund lapse at the end of the fiscal year.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2007.

2. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There has not been any uncovered or unreimbursed claims in any of the past three years.

NOTE C - DEPOSITS

1. Deposits

All deposits are in a single financial institution and are carried at cost; the deposits are composed of a checking account, a money market savings account, and a certificate of deposit.

As of March 31, 2007, the Village's carrying amount of deposits was \$107,474, and the bank balance was \$107,660. All of the bank balance was covered by federal depository insurance.

2. Investment Policy

Michigan Compiled Laws, Section 129.91, authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; prime commercial paper; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village in accordance with Public Act 20 of 1943 (as amended) authorizes investments in demand depository accounts, certificates of deposit and savings accounts.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE C - DEPOSITS-CONTINUED

3. Summary

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ <u>100,642</u>	\$ <u>6,832</u>	\$ <u>107,474</u>

NOTE D-CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2007</u>
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 8,300	\$ -	\$ -	\$ 8,300
Construction in Progress	<u>24,216</u>	<u>8,197</u>	<u>-</u>	<u>32,413</u>
Total capital assets, not being depreciated	<u>32,516</u>	<u>8,197</u>	<u>-</u>	<u>40,713</u>
Capital assets, being depreciated:				
Buildings	172,769	-	-	172,769
Land improvements	50,919	-	-	50,919
Machinery & Equipment	<u>253,201</u>	<u>-</u>	<u>-</u>	<u>253,201</u>
Total capital assets, being depreciated	476,889	-	-	476,889
Less accumulated depreciation for:				
Buildings	74,409	4,608	-	79,017
Land improvements	38,975	1,861	-	40,836
Machinery & Equipment	<u>183,233</u>	<u>20,514</u>	<u>-</u>	<u>203,747</u>
Total accumulated depreciation	<u>296,617</u>	<u>26,983</u>	<u>-</u>	<u>323,600</u>
Total capital assets, being depreciated, net	<u>180,272</u>	<u>26,983</u>	<u>-</u>	<u>153,289</u>
Capital Assets, net	<u>212,788</u>	<u>18,786</u>	<u>-</u>	<u>194,002</u>

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE D-CAPITAL ASSETS - CONTINUED

<u>Business-Type Activities:</u>	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>March 31, 2007</u>
Capital Assets Not Being Depreciated:				
Land	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Total capital assets, not being depreciated	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Capital assets being depreciated:				
Sewer Fund				
Treatment Plant and Collection System	4,269,332	-	-	4,269,332
Machinery & Equipment	11,367	-	-	11,367
Water Fund				
Buildings	8,805	-	-	8,805
Water distribution System	615,594	-	-	615,594
Machinery & Equipment	<u>11,162</u>	<u>-</u>	<u>-</u>	<u>11,162</u>
Total capital assets, being depreciated	<u>4,916,260</u>	<u>-</u>	<u>-</u>	<u>4,916,260</u>
Less accumulated depreciation:				
Sewer Fund				
Treatment Plant & Collection System	1,904,835	93,883	-	1,998,718
Machinery & Equipment	11,367	-	-	11,367
Water Fund				
Buildings	4,226	193	-	4,419
Water Distribution System	243,228	12,796	-	256,024
Machinery & Equipment	<u>11,162</u>	<u>-</u>	<u>-</u>	<u>11,162</u>
Total accumulated depreciation	<u>2,174,818</u>	<u>106,872</u>	<u>-</u>	<u>2,281,690</u>
Total capital assets, being depreciated, net	<u>2,741,442</u>	<u>106,872</u>	<u>-</u>	<u>2,634,570</u>
Capital assets, net	<u>\$ 2,799,597</u>	<u>\$ 106,872</u>	<u>\$ -</u>	<u>\$2,692,725</u>

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE D-CAPITAL ASSETS - CONTINUED

Government activities:

Depreciation

Depreciation expense was charged to functions as follows:

General government	\$ 4,949
Public safety	10,968
Public works	<u>11,066</u>
	<u>\$ 26,983</u>

Business-type activities:

Depreciation

Depreciation expense was charged to functions as follows:

Sewer	\$ 93,883
Water	<u>12,989</u>
	<u>\$106,872</u>

NOTE E - DUE FROM/TO OTHER FUNDS

The following are the interfund receivables/payables at year-end.

Water Fund

Due to Sewer Fund	\$ 36,000
Due to General Fund	<u>34,005</u>
	<u>\$ 70,005</u>

Sewer Fund

Due to General Fund	<u>\$ 10,399</u>
Due from Water Fund	<u>\$ 36,000</u>

General Fund

Due from Water Fund	\$ 34,005
Due from Sewer Fund	<u>10,399</u>
	<u>\$ 44,404</u>

Village of Hesperia

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE F - DEFINED CONTRIBUTION PENSION PLAN

The Village provides pension benefits to all of its appointed officers and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Village contributes 7% of employees gross earnings and employees may make voluntary contributions of 1% to 10% of after-tax earnings. 100% of the benefits are vested immediately.

NOTE G - HEALTH INSURANCE

The Village pays an allowance for health insurance premiums as an employee benefit on behalf of all appointed officials and full-time employees through Municipal Benefits Services for Blue Cross/Blue Shield. In lieu of taking health insurance benefits, employees have the option to receive additional wages of \$100 per month.

NOTE H - LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Village for the year ended March 31, 2007:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2007</u>	<u>Due within</u> <u>one year</u>
Governmental Activities					
General obligation bonds	\$ 106,958	\$ -	\$ 7,131	\$ 99,827	\$ 7,131
Installment purchase agreements	<u>19,988</u>	<u>-</u>	<u>16,045</u>	<u>3,943</u>	<u>3,943</u>
Governmental activity long-term liabilities	\$ <u>126,946</u>	\$ <u>-</u>	\$ <u>23,176</u>	\$ <u>103,770</u>	\$ <u>11,074</u>
Business-type Activities					
Revenue bonds and other debt	\$ <u>831,214</u>	\$ <u>-</u>	\$ <u>73,346</u>	\$ <u>757,868</u>	\$ <u>66,958</u>

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE H - LONG-TERM DEBT-CONTINUED

Governmental activities:

General obligation bonds:

Intercounty Drain Note - The intercounty drain project was completed in fiscal year 2002 and the subsequent note payable was established to pay for the Village's portion. The note is payable to the Oceana County Drain Commission over a 20 year period with an interest rate of 5.25% per annum. The first payment was made January 22, 2002 and payments will be made annually until December 1, 2020. The note is backed by the full faith and credit of the Village.

\$ 99,827

Installment purchase agreement:

Police Vehicle Note - This note is a capital lease with quarterly payments of \$2,010 at 5.15% per annum. The lease is scheduled to be paid in full in August, 2007. The lease is secured by the vehicle.

\$ 3,943

Business-type activities:

Revenue bonds and other debt

1978 Sewer System Reserve Bond

The Village Council entered into a contract with the County of Newaygo relating to the acquisition, construction, operation and financing of a sanitary sewer system. The annual principal payments of \$25,000 are due January 1 each year with the final payment due in the year 2018. Interest payments at the rate of 5% are due semiannually on January 1 and July 1.

\$ 275,000

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE H - LONG-TERM DEBT-CONTINUED

2005 Contract with Newaygo County

On June 23, 2005 the Village entered into a contract with Newaygo County for the construction of a sewer lift station and project upgrade in the amount of \$414,780. Principal payments are due April 1 of each year varying from \$20,000 to \$30,000 with the final payment due in the year 2025. Interest payments are due semi-annually at a rate of 1.625% per annum and are due October 1 and April 1.

\$ 374,780

Water Tower Note

On October 6, 2005 the Village borrowed \$150,208 from Shelby State Bank to retire a previous bond obligation which was issued for the purpose of constructing a water tower. Principal and interest payments are due quarterly. The interest rate is 3.8% annually. The last payment is due in October, 2010.

108,088

\$757,868

Annual debt service requirements to maturity for debt outstanding as of March 31, 2007 is as follows:

Year ending March 31, 2007	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2008	\$ 11,073	\$ 5,317	\$ 66,958	\$ 23,181
2009	7,131	4,880	75,274	20,491
2010	7,130	4,492	76,449	17,740
2011	7,131	4,118	74,407	14,953
2012	7,130	3,744	50,000	12,834
2013-2017	35,652	13,117	250,000	39,326
2018-2022	28,523	3,744	150,000	7,920
2023-2027	-	-	14,780	240
Total	<u>\$103,770</u>	<u>\$ 39,412</u>	<u>\$ 757,868</u>	<u>\$ 136,685</u>

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results.

Village of Hesperia

NOTES TO THE FINANCIAL STATEMENTS-CONTINUED

March 31, 2007

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS-CONT.

In the body of the financial statements, the Village's actual expenditures for the budgetary funds have been shown in a line item basis. The budget was adopted on the activity basis.

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (ML 141.42), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year, over-expenditures occurred as listed below:

<u>Activity</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund			
Elections	\$ -	\$ 26	\$ 26
Clerk	26,000	30,138	4,138
Treasurer	25,650	31,365	5,715
Buildings and Grounds	9,300	12,152	2,852
Police Department	128,461	131,202	2,741
Street Lighting	19,000	21,773	2,773

NOTE J - ENDOWMENT FUND

The Fremont Area Community Foundation holds a designated endowment fund which has been reserved for the use of the Village of Hesperia. The fund is not available for general operating purposes but is intended to fund charitable community projects and programs as deemed appropriate by the Village Council and the Community Foundation Board of Trustees. As of March 31, 2007, the fair market value of this endowment fund was \$35,061.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Hesperia
Budgetary Comparison Schedule
GENERAL FUND

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes			\$ 236,985	
State Shared Revenue			102,363	
Charge for Services			3,818	
Interest			3,684	
Rents			13,778	
Reimbursements			5,366	
Miscellaneous and Fines			<u>13,465</u>	
Total Revenues	401,850	401,850	379,459	(22,391)
Expenditures				
General Government				
General Government				
Wages			3,449	
Fringe Benefits			264	
Payroll Taxes			1,108	
Supplies			3,046	
Services			7,324	
Printing and Publishing			1,064	
Insurance			5,361	
Utilities			3,011	
Education and Training			1,302	
Miscellaneous			2,068	
Repairs and Maintenance			<u>45</u>	
	<u>60,400</u>	<u>60,400</u>	<u>28,042</u>	<u>32,358</u>
Elections				
Supplies	-	-	26	(26)
Clerk				
Salaries			28,154	
Payroll Taxes			1,631	
Miscellaneous			<u>353</u>	
	<u>26,000</u>	<u>26,000</u>	<u>30,138</u>	<u>(4,138)</u>
Treasurer				
Salaries			21,787	
Fringe Benefits			6,692	
Payroll Taxes			1,667	
Miscellaneous			<u>1,219</u>	
	<u>25,650</u>	<u>25,650</u>	<u>31,365</u>	<u>(5,715)</u>

Village of Hesperia
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General Government-Continued				
Buildings and Grounds				
Salaries			\$ 2,064	
Fringe Benefits			530	
Payroll Taxes			158	
Supplies			1,027	
Repairs and Maintenance			267	
Insurance			1,500	
Utilities			6,142	
Services			464	
	<u>9,300</u>	<u>9,300</u>	<u>12,152</u>	<u>(2,852)</u>
Total General Government	121,350	121,350	101,723	19,627
Public Safety				
Police Department				
Salaries			75,099	
Fringe Benefits			19,839	
Payroll Taxes			5,745	
Supplies			1,773	
Services			1,018	
Transportation			7,220	
Printing & Publishing			102	
Insurance			7,499	
Utilities			5,763	
Repairs & Maintenance			4,955	
Education and Training			1,192	
Miscellaneous			997	
	<u>128,461</u>	<u>128,461</u>	<u>131,202</u>	<u>(2,741)</u>
Crossing Guards				
Salaries			4,702	
Payroll Taxes			279	
	<u>5,500</u>	<u>5,500</u>	<u>4,981</u>	<u>519</u>
Total Public Safety	133,961	133,961	136,183	(2,222)
Public Works				
Street Lighting				
Utilities	19,000	19,000	21,773	(2,773)

Village of Hesperia
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED
Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Works-Continued				
Streets and Equipment				
Salaries			19,780	
Fringe Benefits			7,671	
Payroll Taxes			1,513	
Supplies			10,846	
Repairs			2,828	
Insurance			2,999	
Utilities			7,501	
Miscellaneous			212	
	<u>78,353</u>	<u>78,353</u>	<u>53,350</u>	<u>25,003</u>
Total Public Works	97,353	97,353	75,123	22,230
Recreation and Culture				
Park				
Wages			12,474	
Fringe Benefits			3,002	
Payroll Taxes			954	
Supplies			2,291	
Services			925	
Insurance			1,125	
Utilities			2,438	
Repairs and Maintenance			745	
	<u>32,000</u>	<u>32,000</u>	<u>23,954</u>	<u>8,046</u>
Total Recreation and Culture	32,000	32,000	23,954	8,046
Debt Service				
Principal	16,045	16,045	16,045	-
Interest	<u>641</u>	<u>641</u>	<u>641</u>	<u>-</u>
	16,686	16,686	16,686	-
Other Functions				
Other Activities-Miscellaneous	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Other	500	500	-	500
Total Expenditures	<u>401,850</u>	<u>401,850</u>	<u>353,669</u>	<u>48,181</u>
Excess Revenues Over (Under) Expenditures	-	-	25,790	25,790
Fund Balance - Beginning of Year	<u>42,080</u>	<u>42,080</u>	<u>42,080</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 42,080</u>	<u>\$ 42,080</u>	<u>\$ 67,870</u>	<u>25,790</u>

Village of Hesperia
Budgetary Comparison Schedule
MAJOR STREET FUND

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Shared Revenue			\$ 61,417	
Miscellaneous			1,997	
	<u>120,000</u>	<u>120,000</u>	<u>63,414</u>	<u>(56,586)</u>
Expenditures				
Salaries and Wages			12,447	
Fringe Benefits			2,915	
Payroll Taxes			952	
Supplies			951	
Prof. and Contracted Services			9,434	
Utilities			594	
Rentals			10,539	
Repairs and Maintenance			-	
Debt Service				
Principal			5,348	
Interest			4,211	
	<u>120,000</u>	<u>120,000</u>	<u>47,391</u>	<u>72,609</u>
Excess Revenues Over (Under) Expenditures	-	-	16,023	16,023
Other Financing Sources (Uses) Operating Transfer In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under) Other Financing Sources (Uses)	-	-	16,023	16,023
Fund Balance - Beginning of Year	<u>60,763</u>	<u>60,763</u>	<u>60,763</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 60,763</u>	<u>\$ 60,763</u>	<u>\$ 76,786</u>	<u>\$ 16,023</u>

Village of Hesperia
Budgetary Comparison Schedule
LOCAL STREET FUND

Year ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Shared Revenue			\$ 26,145	
Miscellaneous			<u>1,996</u>	
	<u>30,000</u>	<u>30,000</u>	28,141	(1,859)
Expenditures				
Salaries and Wages			7,795	
Fringe Benefits			2,541	
Payroll Taxes			596	
Supplies			482	
Prof. and Contracted Services			1,177	
Utilities			594	
Rentals			1,739	
Repairs and Maintenance			-	
Debt Service				
Principal			1,783	
Interest			<u>1,403</u>	
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>18,110</u>	<u>11,890</u>
Excess Revenues Over (Under) Expenditures	-	-	10,031	10,031
Other Financing Sources (Uses) Operating Transfer In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under) Other Financing Sources (Uses)	-	-	10,031	10,031
Fund Balance - Beginning of Year	<u>12,909</u>	<u>12,909</u>	<u>12,909</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 12,909</u>	<u>\$ 12,909</u>	<u>\$ 22,940</u>	<u>\$ 10,031</u>

OTHER SUPPLEMENTAL INFORMATION

CALVIN D. MEEUSEN
CERTIFIED PUBLIC ACCOUNTANT

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2450 Van Ommen Drive, Suite B — Holland, MI 49424
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MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Village Council
Village of Hesperia, Michigan

I have audited the financial statements of the governmental activities, the business type activities and each major fund of the Village of Hesperia as of and for the year ended March 31, 2007, which collectively comprises the Village of Hesperia's basic financial statements and have issued my report thereon dated May 8, 2007. I conducted my audit with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Hesperia's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Hesperia's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the Village of Hesperia's internal control over financial reporting. However, I noted certain deficiencies involving the internal control over financial reporting and its operation that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Hesperia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Hesperia's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. I consider the deficiency described in the accompanying

Schedule of Findings and Responses as Item 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Hesperia's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I believe that the significant deficiency described above is a material weakness.

The Village of Hesperia's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Village of Hesperia's response and, accordingly, we express no opinion on it.

This report is intended for the information of management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Calvin D. Meeusen in black ink, followed by the text "C.P.A. PLLC".

Calvin D. Meeusen C.P.A., PLLC
May 8, 2007

Village of Hesperia

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ending March 31, 2007

SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the financial statements of the Village of Hesperia, Michigan.
2. One significant deficiency was disclosed during the audit of the financial statements and is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Village of Hesperia, Michigan, were disclosed during the audit.

FINDINGS - FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

07-1. Cash Receipts and Cash Disbursements

Condition: Controls over cash receipts and disbursements are inadequate because of the lack of segregation of duties due to limited numbers of accounting personnel.

Criteria: Accounting functions should be delegated to different personnel in such a way that one can consistently act as a "check" on another.

Effect: The integrity of the accounting records could be compromised.

Cause: Virtually all of the important accounting functions are done by only two full time persons and one part-time person. None of them perform accounting functions on a full-time basis. The Village of Hesperia has traditionally operated very "lean" in the accounting area. The relatively small size of the Village does not justify the hiring of additional accountants.

Recommendation: Management should review the cash receipts and disbursements for reasonableness and completeness on a regular basis. Cash disbursements over a prescribed dollar amount should be reviewed by the Village Council.

Response: Management concurs with the recommendation.

Village of Hesperia

Corrective Action Plan
2007

United States Department of Agriculture
Rural Development Division

Village of Hesperia, Michigan, respectfully submits the following summary schedule of audit findings for the year ended March 31, 2007.

Name and address of independent public accounting firm:

Calvin D. Meeusen, C.P.A., PLLC
1014 S. Beacon Blvd.
Grand Haven, MI 49417

Audit period: April 1, 2006 to March 31, 2007.

The findings from the March 31, 2007 findings and responses are discussed below. The finding is numbered consistently with the number assigned in the prior schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Significant Deficiency

07-1 Cash Receipts and Cash Disbursements

Condition: Controls over cash receipts and disbursements are inadequate because of the lack of segregation of duties due to limited numbers of accounting personnel.

Recommendation: Management should review the cash receipts and disbursements for reasonableness and completeness on a regular basis. Cash disbursements over a prescribed dollar amount should be reviewed by the Village Council.

Action taken: Management concurs with the recommendation. However, the condition is inherent. A practical remedy is not feasible.

If the Department of Agriculture, Rural Development Division has questions regarding this plan, please call Patrecia Grossenbacher at (231) 854-6205.

Sincerely yours,



Patrecia Grossenbacher, Clerk
Village of Hesperia, MI

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May 8, 2007

Honorable Village Council
Village of Hesperia
Hesperia, Michigan

In connection with my examination of the financial statements as of March 31, 2007, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Hesperia for the year ended March 31, 2007, and have issued my report thereon dated May 8, 2007. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Hesperia to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Village of Hesperia is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole. However, my study and evaluation disclosed that the internal accounting controls may not be adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Hesperia may occur and not be detected within a timely period by Village personnel in the normal course of their duties. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to mitigate this situation.

Cash - The cash reserves for the General Fund is in a positive position and the cash in the combined Water and Sewer Funds is a overall positive balance. There are some cash reserves in the Major and Local Streets Funds but these are restricted monies and not available for general operating purposes. Furthermore, additional monies totalling approximately \$100,000 are projected to be spent on the Village match and engineering fees for the Michigan Street bridge project, scheduled to be completed by the Fall of 2007. It's likely that at least some of this money will have to come from the General Fund.

The cash balances in the Water and Sewer Funds has improved somewhat but the Water Fund is still not generating enough cash to sustain its general operating expenses and debt service and is in an overdraft position. The utility rate increases were put into effect in November of 2006 and another round of rate increases is scheduled to take effect in April of 2008. These may, in time, alleviate this problem but the cash situation is still very tight.

I would like to commend the Village management and personnel for their efforts in controlling costs in the past fiscal year. Despite declining revenues in the governmental funds, you were able to increase your cash balances substantially through stringent spending restraints. I would urge a continuation of this policy until such time as you have the equivalent of at least four months of normal operating expenditures available as cash reserves in all funds.

Accounting Software - The Village's current accounting system is entirely manual, with the exception of water and sewer billing. The Village has committed \$6,685 to purchase an accounting software package from BS& A. This was acquired in October, 2005 but has not yet been installed or paid for. I recommend that this software package be used for its intended purpose as soon as possible. This comment is a carryover from last year.

Payroll Reporting - This is now being done in-house and is a time consuming process. This can be done efficiently and in a very cost effective manner by a payroll service to free up Village staff time. This recommendation is a carryover from last year. I again recommend the Village consider the contracting of an outside payroll service to perform all functions of payroll - paychecks, quarterly reporting and W-2 preparation.

Do to/Due From's - Interfund borrowing is largely unchanged from last year and given that cash reserves for the affected funds are still quite low, it is likely to continue to remain so. The Village Council is encouraged to continue to contain expenses so as to have the ability to repay these interfund loans in the near future.

Budgeting Concerns - The Village again had significant budget violations of P.A. 621. There were no budget amendments passed by the Village Council during the past year and it is important that you monitor the budget in a more meaningful way on an ongoing basis. The budgeting process itself was lacking in that it omitted explicit data for revenues. The budget data for the expenditures

was again lacking in detail. Amendments should be made when appropriate and adequately documented in the Council minutes. It appears that the budgeting process was much improved for the adoption of the budget for the 2007-2008 fiscal year.

Deficit Fund Balance - The Village has a deficit in it's unreserved total net assets in the Water Fund. As previously mentioned, the water rates have been increased and will be increased again in 2008 but management should consider if any other appropriate measures should be taken.

Employee Training - Village management should, to the extent possible, arrange to have employees cross trained in each others jobs. This would help ensure continuity in providing service to Village residents and in maintaining the accounting records in case of illness, vacations or other extended absences. This recommendation is a carryover from last year and the Village has made a limited attempt to comply.

All of these comments and recommendations have been discussed and reviewed with the finance committee.

In conclusion, I wish to say that my staff and I are very appreciative of the courtesy and assistance extended to us during the engagement. The above comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss these comments and recommendations.

Respectfully submitted,

 Calvin D. Meeusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC